

Purchase Public Service Corporation
P.O. Box 5100
Mayfield, Kentucky 42066
270/247-7171

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AUG 28 2008

PUBLIC SERVICE
COMMISSION

August 26, 2008

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PUBLIC SERVICE
COMMISSION

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
P.O. Box 165
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Dear Ms. Stumbo:

Enclosed please find the original and ten (10) copies of the proposed rate adjustment application for the Thomas Country Estates wastewater treatment plant in Graves County.

2008-355

Please feel free to contact me at 270/251-6126 or mark.davis@purchaseadd.org if you have questions.

Sincerely,

Mark Davis

Mark Davis

Cc: Jack Conway, Office of the Attorney General

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

2008-355

Purchase PSC dba Thomas Country Estates

Name of Utility

1002 Medical Drive, P.O. Box 5100

Mayfield, Kentucky 42066

Business Mailing Address

Telephone Number (270) 247-7171

Area Code

Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Mark Davis, Executive Officer

Address: 1002 Medical Drive, P.O. Box 5100

Mayfield, KY 42066

Telephone Number: (270) 247-7171

- | | | | |
|----|---|-----|----|
| 1) | Do you have 500 customers or fewer? | Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | Yes | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

- (1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2007.
- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

See Attachment A.

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the notes to Attachment A for these descriptions.

- i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

Current Rate - \$27.50 per month

Proposed Rate - \$35.09 per month (27.6% increase)

III. Other Information

- a. Please complete the following questions:
- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).
- 2) Total number of Customers as of the date of filing: 100
- 3) Total amount of increased revenue requested: \$9,107
- 4) Please circle Yes or No:

- a) Does the utility have any outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

- b) Were all revenues and expenses listed in the Annual Report for 2007 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2006 and the amount shown on this schedule. – **Depreciation schedule attached.**

- 6) If utility is a sewer utility:

- a) Attach a copy of the latest State and Federal Income Tax Returns. **Not applicable**

- b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).

Not applicable

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Thomas Country Estates has not had a general rate increase since 1989, and its costs have increased since then.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using

Next 10,000 gallons – remainder of water over 3,000
= 7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons –
record in Column 4.
Next 3,000 gallons x 650 bills = 1,950,000 gallons –
record in Column 5.
Next 10,000 gallons x 650 bills = 6,500,000 gallons –
record in Column 6.
Next 25,000 gallons – remainder of water over 10,000
= 5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons –
record in Column 4.
Next 3,000 gallons x 153 bills = 459,000 gallons –
record in Column 5.
Next 10,000 gallons x 153 bills = 1,530,000 gallons –
record in Column 6.
Next 25,000 gallons x 153 bills = 3,825,000 gallons –
record in Column 7.
Over 40,000 gallons – remainder of water over 25,000
= 3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

SAMPLE

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE

Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Purchase PSC – Thomas Country Estates Attachment A

Account	2007	Adjustments	Ref.	Adjusted
Operating Revenues	\$32,000	\$1,000	A	\$33,000
Sludge Hauling	\$1,950	\$150	B	\$2,100
Water Cost	\$141	0		\$141
Fuel-Pumping	\$4,654	0		\$4,654
Miscellaneous Supplies	\$2,330	0		\$2,330
Routine Maintenance Fee	\$23,294	\$648	C	\$23,942
Uncollectibles	\$397	0		\$397
Office Supplies	\$298	0		\$298
Outside Services	\$1,101	0		\$1,101
Insurance Exp.	\$1,834	0		\$1,834
Regulatory Fee	\$54	0		\$54
<i>Total O&M Exp</i>	<i>\$36,053</i>	<i>\$798</i>		<i>\$36,851</i>
Depreciation	\$6,815	0		\$6,815
Amortization	(\$6,612)	0		(\$6,612)
Total Exp.	(\$36,256)	\$798		(\$37,054)
Net Operating Income	(\$4,256)	\$202		(\$4,054)

Revenue Requirement Calculation:

\$ 37,054 – Operating Expenses
 / 88% - Divided by 88% Operating Ratio
 \$ 42,107 – Revenue Requirement
 (\$33,000) – Normalized Revenues
 \$ 9,107 - Requested Increase (27.6% Increase over Normalized Revenues)

Monthly Rate = \$42,107 / 100 customers = \$421.07 divided by 12 months = \$35.089 per month, or \$35.09 rounded up.

Explanatory Notes:

A. Normalized Revenues as determined by 100 customers x 12 months x \$27.50.

B. Sludge Hauling Expense was increased by \$150 to reflect the service provider's cost increase during the year from \$110 to \$140 per load, times 15 loads.

C. Routine Maintenance Fee was increased 2.8% by Mayfield effective July 1, 2008. The estimated increase to this utility is \$54.02 per month, or \$648 annually.

Purchase Public Service Corporation
P.O. Box 5100
Mayfield, Kentucky 42066
270/247-7171

August 25, 2008

The Purchase Public Service Corporation has filed an application with the Kentucky Public Service Commission to increase the rate for the Thomas Country Estates wastewater treatment facility. The proposed effective date of the change is October 2008.

	<u>Current Monthly Rate</u>	<u>Proposed Monthly Rate</u>
Single family residential	\$ 27.50	\$ 35.09 (27.6 % increase)

The rates contained in this notice are the rates proposed by the Purchase Public Service Corporation. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates included in this notice.

"Any corporation, association, body politic or person may request leave to intervene by motion within 30 days after notice of the proposed rate changes is given. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the application and testimony by contacting Mark Davis at 270/247-7171. A copy of the application and testimony shall be available for public inspection at the utility's offices."

Book Future Depreciation FYE: 12/31/07

Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: ACQUISITION ADJUSTMENT											
61	BLANDVILLE WEST-AAA	1/01/00	23,804.51	0.00	0.00	20,320.93	2,902.99	23,223.92	580.59	Amort	8.2
62	GOLDEN ACRES-AAA	1/01/00	7,057.44	0.00	0.00	6,024.62	860.66	6,885.28	172.16	Amort	8.2
64	HOLLIFIELD HEIGHTS	1/01/00	7,111.81	0.00	0.00	6,071.03	867.29	6,938.32	173.49	Amort	8.2
65	THOMAS COUNTRY ESTATES-4	1/01/00	115,308.51	0.00	0.00	46,373.39	6,626.93	53,000.32	62,308.19	Amort	17.4
66	HIGHLAND CLUB ESTATES-AA	1/01/00	26,859.72	0.00	0.00	14,678.44	2,098.42	16,776.86	10,082.86	Amort	12.8
ACQUISITION ADJUSTMENT											
			180,141.99	0.00	0.00	93,468.41	13,356.29	106,824.70	73,317.29		

Group: BLANDVILLE WEST											
1	STRUCTURES & IMPROVEMEN	11/01/73	794.63	0.00	0.00	794.63	0.00	794.63	0.00	S/L	30.0
2	COLLECTION SEWERS-GRAVIT	11/01/73	60,045.14	0.00	0.00	49,787.48	1,501.13	51,288.61	8,756.53	S/L	40.0
3	SERVICES TO CUSTOMERS	11/01/73	3,395.00	0.00	0.00	3,395.00	0.00	3,395.00	0.00	S/L	30.0
4	TREATMENT & DISP. EQUIPME	11/01/73	34,775.74	0.00	0.00	34,775.74	0.00	34,775.74	0.00	S/L	30.0
5	OXIDATION LAGOON	11/01/73	3,076.80	0.00	0.00	3,076.80	0.00	3,076.80	0.00	S/L	30.0
59	COLLECTION PLANT-LIFT STA	7/01/99	6,597.26	0.00	0.00	1,649.32	219.91	1,869.23	4,728.03	S/L	30.0
60	COLLECTION PLANT-ROAD TO	7/01/99	1,560.00	0.00	0.00	390.00	52.00	442.00	1,118.00	S/L	30.0
BLANDVILLE WEST											
			110,244.57	0.00	0.00	93,868.97	1,773.04	95,642.01	14,602.56		30.0

Group: GOLDEN ACRES											
6	OUTFALL SEWER LINES	5/01/72	100.00	0.00	0.00	100.00	0.00	100.00	0.00	S/L	30.0
7	SERVICES TO CUSTOMERS	7/01/93	628.88	0.00	0.00	282.96	20.96	303.92	324.96	S/L	30.0
17	ORGANIZATION	5/01/72	376.40	0.00	0.00	326.21	9.41	335.62	40.78	S/L	40.0
18	STRUCTURES & IMPROVEMEN	5/01/72	966.08	0.00	0.00	966.08	0.00	966.08	0.00	S/L	30.0
19	COLLECTION SEWERS-GRAVIT	5/01/72	9,005.43	0.00	0.00	7,804.85	225.14	8,029.99	975.44	S/L	40.0
20	SERVICES TO CUSTOMERS	5/01/72	500.00	0.00	0.00	500.00	0.00	500.00	0.00	S/L	30.0
21	TREATMENT & DISP. EQUIPME	5/01/72	17,495.61	0.00	0.00	17,495.61	0.00	17,495.61	0.00	S/L	30.0
GOLDEN ACRES											
			29,072.40	0.00	0.00	27,475.71	255.51	27,731.22	1,341.18		30.0

Group: GREAT OAKS SUBDIVISION											
55	TREATMENT & DISPOSAL PLAI	11/01/79	137,315.42	0.00	0.00	137,315.42	0.00	137,315.42	0.00	S/L	20.0
56	SERVICES TO CUSTOMERS	7/01/94	2,214.27	0.00	0.00	922.62	73.81	996.43	1,217.84	S/L	30.0
57	PUMP	9/06/94	9,500.00	0.00	0.00	4,686.67	380.00	5,066.67	4,433.33	S/L	25.0
58	WALKWAY-TREATMENT PLAN	2/09/96	1,498.50	0.00	0.00	654.35	59.94	714.29	784.21	S/L	25.0
GREAT OAKS SUBDIVISION											
			150,528.19	0.00	0.00	143,579.06	513.75	144,092.81	6,433.38		25.0

Group: HIGHLAND CLUB ESTATES											
46	COLLECTION SEWERS-FORCE	7/01/78	1,750.00	0.00	0.00	1,246.88	43.75	1,290.63	459.37	S/L	40.0
47	COLLECTION SEWERS-GRAVIT	7/01/78	39,600.00	0.00	0.00	28,215.00	990.00	29,205.00	10,395.00	S/L	40.0
48	RECEIVING WELLS & PUMP PT	7/01/78	3,600.00	0.00	0.00	3,420.00	120.00	3,540.00	60.00	S/L	30.0
49	PUMPING EQUIP.-ELEC.	7/01/78	4,875.00	0.00	0.00	4,875.00	0.00	4,875.00	0.00	S/L	25.0
50	PUMPING EQUIP.-OTHER	7/01/78	1,250.00	0.00	0.00	1,250.00	0.00	1,250.00	0.00	S/L	25.0
51	TREATMENT & DISPOSAL EQU	7/01/78	18,575.00	0.00	0.00	17,646.34	619.17	18,265.51	309.49	S/L	30.0
52	OUTFALL SEWER LINES	7/01/78	800.00	0.00	0.00	760.09	26.67	786.76	13.24	S/L	30.0

Asset	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: HIGHLAND CLUB ESTATES (continued)											
53	OTHER TREAT. & DISP. EQUIP.	7/01/78	1,300.00	0.00	0.00	1,234.91	43.33	1,278.24	21.76	S/L	30.0
54	SERVICES TO CUSTOMERS	7/01/94	81.97	0.00	0.00	34.13	2.73	36.86	45.11	S/L	30.0
HIGHLAND CLUB ESTATES											
			<u>71,831.97</u>	<u>0.00</u>	<u>0.00</u>	<u>58,682.35</u>	<u>1,845.65</u>	<u>60,528.00</u>	<u>11,303.97</u>		

Group: HOLIFIELD ESTATES											
29	STRUCTURES & IMPROVEMEN	4/01/74	1,589.75	0.00	0.00	1,589.75	0.00	1,589.75	0.00	S/L	30.0
30	COLLECTION SEWERS-GRAVITI	4/01/74	9,300.00	0.00	0.00	7,614.38	232.50	7,846.88	1,453.12	S/L	40.0
31	SERVICES TO CUSTOMERS	4/01/74	300.00	0.00	0.00	300.00	0.00	300.00	0.00	S/L	30.0
32	TREATMENT & DISP. EQUIPME	4/01/74	17,000.00	0.00	0.00	17,000.00	0.00	17,000.00	0.00	S/L	30.0
33	PLANT SEWERS	4/01/74	100.00	0.00	0.00	100.00	0.00	100.00	0.00	S/L	30.0
34	OUTFALL SEWER LINES	4/01/74	50.00	0.00	0.00	50.00	0.00	50.00	0.00	S/L	30.0
35	SERVICES TO CUSTOMERS	7/01/94	82.09	0.00	0.00	34.25	2.74	36.99	45.10	S/L	30.0
HOLIFIELD ESTATES											
			<u>28,421.84</u>	<u>0.00</u>	<u>0.00</u>	<u>26,688.38</u>	<u>235.24</u>	<u>26,923.62</u>	<u>1,498.22</u>		

Group: THOMAS COUNTRY ESTATES											
36	COLLECTION SEWERS-FORCE	1/01/83	34,785.10	0.00	0.00	20,871.12	869.63	21,740.75	13,044.35	S/L	40.0
37	OTHER COLLECTION FACILITI	1/01/83	98,509.08	0.00	0.00	59,573.72	2,462.73	62,036.45	36,472.63	S/L	40.0
38	SERVICES TO CUSTOMERS	1/01/83	3,500.00	0.00	0.00	2,800.08	116.67	2,916.75	583.25	S/L	30.0
39	RECEIVING WELLS & PUMP PT.	1/01/83	18,028.85	0.00	0.00	14,423.04	600.96	15,024.00	3,004.85	S/L	30.0
40	PUMPING EQUIP.-ELECTRIC	1/01/83	23,020.45	0.00	0.00	18,416.40	767.35	19,183.75	3,836.70	S/L	30.0
41	OXIDATION LAGOON	1/01/83	53,834.00	0.00	0.00	43,067.28	1,794.47	44,861.75	8,972.25	S/L	30.0
42	SERVICES TO CUSTOMERS	7/01/94	282.28	0.00	0.00	117.62	9.41	127.03	155.25	S/L	30.0
43	SERVICES TO CUSTOMERS	7/01/95	991.95	0.00	0.00	380.30	33.07	413.37	578.58	S/L	30.0
44	LIFT STATION IMP.	7/01/95	770.00	0.00	0.00	282.37	25.67	308.04	461.96	S/L	30.0
45	PUMPING EQUIPMENT-5HP	3/31/96	4,039.74	0.00	0.00	1,447.59	134.66	1,582.25	2,457.49	S/L	30.0
THOMAS COUNTRY ESTATES											
			<u>237,761.45</u>	<u>0.00</u>	<u>0.00</u>	<u>161,379.52</u>	<u>6,814.62</u>	<u>168,194.14</u>	<u>69,567.31</u>		

Grand Total			<u>808,002.41</u>	<u>0.00</u>	<u>0.00</u>	<u>605,142.40</u>	<u>24,794.10</u>	<u>629,936.50</u>	<u>178,065.91</u>		
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